

SALES AND USE TAX REVIEW COMMISSION

RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

BILL NUMBER: S-2270

**DATE OF
INTRODUCTION:** 3/29/01

SPONSOR: Senator Cardinal
Senator Singer

**DATE OF
RECOMMENDATION:** 5/30/01

IDENTICAL BILL:

COMMITTEE: Senate Commerce

DESCRIPTION:

This bill would make State-chartered credit unions exempt from sales and use tax as long as federally chartered credit unions are exempt.

ANALYSIS:

The bill provides an exemption to credit unions “organized under the laws of this State” but not to credit unions organized in other states. This may be deemed to discriminate against credit unions organized in other states, contrary to provisions of the Constitution of the United States. In this way the exemption could expand to include all credit unions in the United States.

The sales and use tax exemption currently available to federal credit unions under federal law has resulted in a problem that would be compounded by this bill. The problem is that federal credit unions are tax-exempt on vehicles they purchase for lease to private individuals. Thus vehicle leases entered into with federal credit unions are exempt from sales and use tax, while similar leases done through other entities are subject to the tax imposed on the lessor pursuant to N.J.S.A. 54:32B-3(a) of the Sales and Use Tax Act. This exemption provides a significant competitive advantage to the leasing of motor vehicles by federal credit unions. This bill would extend this competitive advantage to New Jersey State credit unions, to the detriment of other business entities that lease vehicles.

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RECOMMENDATION:

This bill is not recommended for enactment.

COMMISSION MEMBERS FOR PROPOSAL:

COMMISSION MEMBERS AGAINST PROPOSAL: 4

COMMISSION MEMBERS ABSTAINING: 1

COMMISSION MEETING DATE: 5/30/01

NC:sp